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E.O. 12958: DECL: 07/03/2017

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SUBJECT: EXEMPTIONS TO IRAN SANCTIONS

REF: STATE 90814

Classified By: Alternate Representative for  
Special Political Affairs, Ambassador Jackie Sanders,  
for Reasons 1.4 (B and D).

¶1. (C) The Iran Sanctions Committee met on June 29, at the request of Italy, to discuss exemptions to the assets freeze.

In response to USUN REFTEL points, Italy agreed fully that there should be no "business as usual" for sanctioned individuals and entities (specifically Bank Sepah). That said, Italy also stressed that assets freeze exemptions contained in resolution 1737 (2006) should be used to protect "innocent" third party companies which had traded or entered into business deals with Iran prior to the sanctions. Italy also argued that in an exemptions case involving the movement of funds across borders, the Committee should place an emphasis on receiving a notification from the State that plans to disburse the funds because only the State where "final payment is due" can verify that the funds are used in accordance with the resolutions.

¶2. (C) South Africa, Russia, and the UK supported the U.S. rationale behind our edits to the Bahrain letter (REFTEL), but all three delegations also expressed understanding for the "practical concerns" articulated by Italy. The UK suggested a "common sense approach," saying that States should seek to coordinate exemption notifications where possible and noting that the Committee has limited ability to stop or slow down exemption notifications submitted under paragraph 15 of resolution 1737.

¶3. (C) The Belgian Chairman concluded the discussion by stating that the Committee's paramount interest is to receive the necessary information about the exemption. Belgium plans to revise slightly the draft letter to Bahrain to reflect Committee members' support for the U.S. edits while trying to incorporate the UK's "common sense approach." USUN will send the revised draft letter to IO/PSC as soon as it is received.

¶4. (C) COMMENT: After the meeting, the Italian delegates approached USUN Poloff to thank us for a constructive discussion. Italy "got the message" about the need for all relevant States to notify the Committee and appreciated our point on the need to protect the rights of innocent third parties. END COMMENT.

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